

Message Text

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72

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 SWF-02 AGR-20 PA-04

PRS-01 USIA-15 TAR-02 DRC-01 /198 W

----- 047020

R 161830Z MAY 74

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3482

UNCLAS OTTAWA 1486

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: ENERGY: JUNE EXPORT CHARGE ON CRUDE OIL.

1. MAY 15 TORONTO GLOBE AND MAIL STORY (JEFF CARRUTHERS) STATES THAT INCREASE IN JUNE EXPORT CHARGE TO \$5.20 PER BARREL IS BASED ON NATIONAL ENERGY BOARD'S (NEB) BELIEF THAT EXISTING WORLD OIL PRICES ARE PROVISIONAL AND SUBJECT TO RETROACTIVE ADJUSTMENTS RELATED TO EVENTUAL OUTCOME OF ARRANGEMENTS CONCERNING OPEC PARTICIPATION AGREEMENTS. IN THIS CONNECTION, MARSHALL CROWE (NEB CHAIRMAN) IS QUOTED AS SAYING "WE'RE JUST TRYING TO COVER OURSELVES". CROWE IS ALSO ALLEGED TO HAVE STATED THAT UNCERTAINTY ABOUT FUTURE RETROACTIVE IMPORTED OIL PRICE INCREASES WAS MAJOR FACTOR IN NEB RECOMMENDATION TO CABINET ON JUNE CHARGE INCREASE. CROWE ALSO REPORTEDLY SAID THAT IF NEB PREDICTIONS ON PRICE MOVEMENTS PROVED INACCURATE THEN GOC WOULD REFUND PORTION OF THE CHARGE TO DOMESTIC OIL EXPORTERS. FYI: NEB SPOKESMAN INFORMED EMBOFF THAT BASIS FOR NEWS STORY APPARENTLY WAS SERIES OF CARRUTHERS TELEPHONE CONVERSATIONS WITH VARIOUS NEB OFFICIALS AND STATED THAT QUOTES ATTRIBUTED TO CROWE WERE EITHER NONEXISTENT

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OR MISLEADING AND INACCURATE. END FYI

2. IN BLOCE AND MAIL OF MAY 16 CARRUTHERS WRITES THAT ENERGY MINISTER MACDONALD HAS EXPLAINED THAT ANY DECISION TO REFUND ANY PORTION OF THE \$1.20 PER BARREL TAX INCREASE IN EVENT THERE IS DIFFERENCE BETWEEN THE CHARGE AND EVENTUAL ACTUAL PRICE OF OIL IMPORTED INTO EASTERN CANADA "WILL DEPEND ON THE FISCAL SITUATION" FACING CANADA AT THE TIME. ACCORDING TO NEWS STORY, MACDONALD ADMITS TO A SCENARIO WHEREBY POSSIBLE DECREASING IMPORTS BY THE U.S. BECAUSE OF THE INCREASED JUNE TAX COULD RESULT IN LACK OF CANADIAN REVENUES FOR THE EASTERN OIL SUBSIDY PROGRAM. UNIDENTIFIED CANADIAN OIL INDUSTRY SPOKESMEN ARE REPORTED TO BELIEVE THAT GIVEN A DROP IN OIL EXPORTS, THE GOC WOULD HAVE TO EXTEND ITS TAX BASE, PERHAPS TO NATURAL GAS DELIVERIES TO THE U.S., IN ORDER TO FIND THE FUNDS TO PAY THE OIL IMPORT SUBSIDY. OTHER NEWS ITEMS INDICATE THAT SOME U.S. REFINERS ARE STARTING TO FIND CANADIAN OIL TOO EXPENSIVE AND ARE, OR WILL BE, CUTTING BACK IMPORTS.

3. ON RELATED MATTER, MAY 16 GLOBE AND MAIL ALSO REPORTS THAT CANADIAN OIL EXPORTERS HAVE BEEN GIVEN TO END OF THIS WEEK TO INFORM OTTAWA WHETHER THEY WILL VOLUNTARILY COLLECT THE EXPORT TAX IN VIEW OF LACK OF ENABLING LEGISLATION. MACDONALD REPORTEDLY HAS RECEIVED ASSURANCES TO DATE FROM THREE (OUT OF ABOUT 12) COMPANIES. HE REPORTEDLY HAS THREATENED TO PUBLICLY REVEAL NAMES OF COMPANIES THAT DELAY IN NOTIFYING OTTAWA OF THEIR INTENTIONS OR THAT MIGHT REFUSE TO COLLECT THE TAX.
PORTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, EXPORTS, IMPORTS, PRICES, DEBT REPAYMENTS, INVESTMENT RETURNS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974OTTAWA01486
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740121-0950
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740542/aaaablhm.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 01 NOV 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <01 NOV 2002 by shawdg>; APPROVED <07 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ENERGY: JUNE EXPORT CHARGE ON CRUDE OIL.
TAGS: ENRG, CA, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005